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ASX/MEDIA RELEASE

Scoping study shows Cyclone's profitability

Highlights

- Scoping study completed on zircon-rich Cyclone Deposit (Eucla Basin, WA) shows positive results for 9 million tonnes per annum mining operation.
- Potential to generate \$50 million annual average profit for 10 years.
- Strong 10-year demand outlook for zircon and rutile.
- Diatreme well placed for projected price rises in zircon and rutile.
- Diatreme to launch pre-feasibility studies, with goal of commencing project construction in late 2012.
- Mineralised cover above main deposit (0.4-4.0% heavy minerals) being assessed, with potential benefit of reduced mining costs.

Boosting plans for a new zircon mine, Diatreme Resources Limited (ASX:DRX) announced today the completion of a scoping study on its Cyclone Deposit which showed the potential for a profitable mine producing about 280,000 tonnes of concentrate annually at a mining rate of 9 million tonnes ore per annum.

Executive Chairman Tony Fawdon said the study forecast an annual average profit of \$50 million for 10 years at the world-class Cyclone Deposit in the Eucla Basin, with projected capital expenditure of \$311 million.

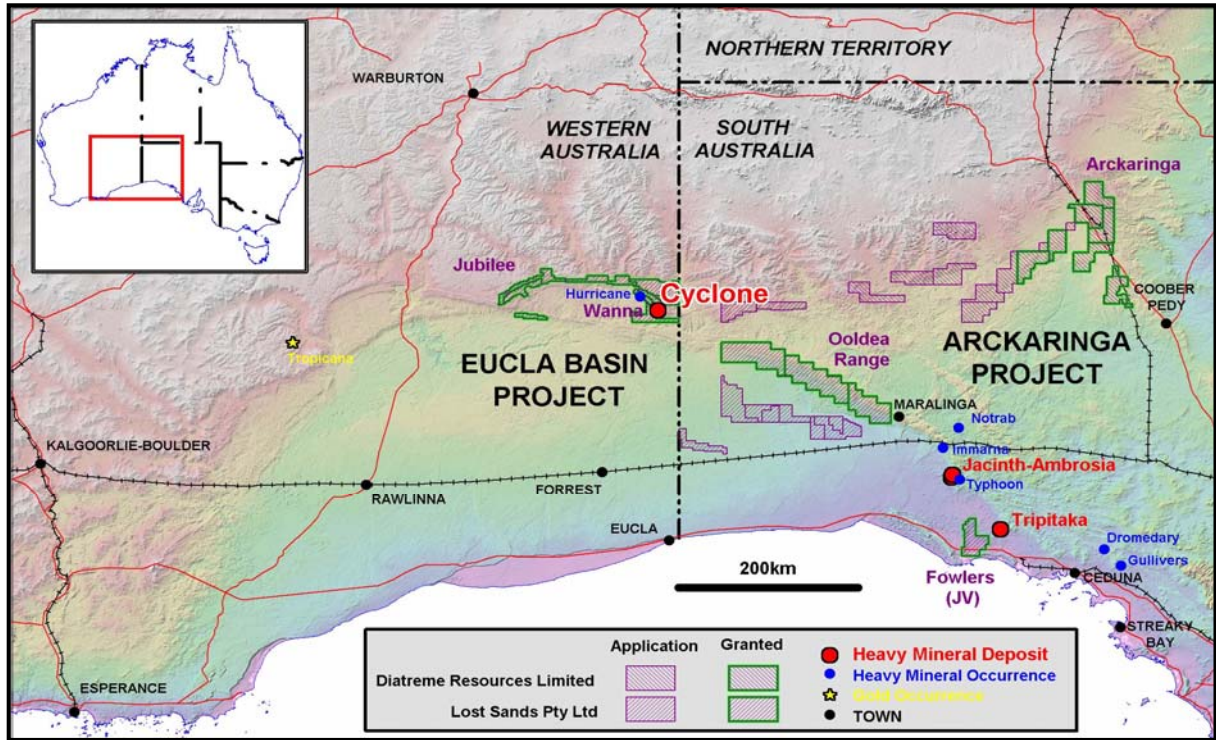
"Diatreme is excited by the results of the scoping study, which show the potential for the Cyclone Deposit to serve as a new source of zircon and other highly valuable heavy minerals," Mr Fawdon said.

"Due to the positive results, DRX is launching pre-feasibility studies with the aim of developing Cyclone into a profitable mining operation by 2014."

Located in the northern portion of the Eucla Basin within Western Australia, the Cyclone Deposit contains an attractive mineral assemblage of 33% zircon, 12% rutile and 27% leucoxene, in addition to 17% altered ilmenite and only minor amounts of slimes such as clay. These features make it one of a rare number of new, high quality sources of heavy minerals potentially available to the global industry.



Location of Cyclone Deposit within Eucla Basin



The JORC resource for the Cyclone Deposit, excluding the recently identified overburden mineralisation as announced on 28 January 2010, currently comprises 98.4 million tonnes yielding 2.88 million tonnes heavy minerals, as shown by the following table:

Resource Category	Mt	% HM	% Slimes	% Oversize
Inferred	2.51	2.38	3.53	4.08
Indicated	84.36	2.82	4.40	5.91
Measured	11.52	3.44	4.51	4.72
TOTAL	98.40	2.88	4.39	5.72

Cyclone Deposit Resource Estimate

Diatreme has conducted more than 42,500 metres of drilling at Cyclone, with the mineralisation covering an area up to 5 kilometres long and up to 2.5 kilometres wide. The deposit is believed amenable to typical mineral sands mining methods, and is low in slimes and induration, thereby reducing mining costs. Costs are expected to be further reduced with the recent discovery of mineralisation grading up to 4% heavy minerals in the overburden.

Mr Fawdon said recent zircon prices achieved by producers of more than US\$900 per tonne showed the value of the resource, with analyst forecasts of constrained supply from 2013 set to result in significant price rises. Current rutile prices average US\$550 per tonne, with leucoxene up to US\$300/t and ilmenite around US\$100/t, depending on titanium content and impurity levels. Zircon prices are forecast to rise above US\$1200/t by 2014.

“China has become the world’s biggest consumer of zircon, and with its consistent double-digit economic growth and forecast growth in urban population to nearly 1 billion people in the next 15 years, the outlook for zircon demand from ceramics and other applications remains strong,” he said.



“Worldwide there are few new sources of zircon supply forecast in the near term, with most having a low zircon assemblage. The demand outlook for zircon from 2012 onward is projected to substantially increase with a concurrent rise in the zircon price.”

According to the scoping study, conducted by Peter Bannister of Intelligent Mining Solutions Pty Ltd, the conceptual mining plan would allow treatment of up to 90 million tonnes of ore at an annual rate of 9 million tonnes. The mining operation would pump around 1,250 tonnes per hour of ore at a rate of 40% solids to a wet processing plant, with the concentrate pumped to a stockpile before transportation via truck and rail to a mineral separation plant located near a port (likely Adelaide, Esperance or Perth).

Electrical power to the mine site would likely be through gas-powered generators, with water supply potentially from palaeo river systems within 25 kilometres of the project.

“Diatreme now has a clear pathway towards its development from an explorer into a profitable mining company, with a world-class resource of heavy minerals complementing the Company’s other projects including copper, gold and base metals,” Mr Fawdon said.

“The Company is now working towards the completion of the pre-feasibility studies for Cyclone by late 2010, the completion of a definitive feasibility study by late 2011 and the granting of all permits by middle 2012. Project construction is anticipated to begin in late 2012, and commissioning and commencement of mining operations in 2014.

“Diatreme is focused on growing shareholder value, and we consider Cyclone to have the potential to generate significant wealth given the outlook for constrained supply and growing demand for its valuable heavy minerals such as zircon.”

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About Diatreme Resources

Diatreme Resources Limited (ASX code: DRX) is a diversified Australian mineral explorer with significant projects in heavy mineral sands, copper, base metals and gold. Based in Brisbane, Queensland, the company listed on the Australian Securities Exchange in June 2005. The Board and senior personnel have wide experience in the exploration and development phases of resource management.

About zircon

Zircon is a mineral sand used in the production of ceramics, including sanitary ware, tiles and tableware. It is also used in refractories, TV glass and foundry applications. Zircon is the source material for zirconia and a range of chemicals used in high-tech applications, including fuel cells and abrasives. Zirconium metal is used in nuclear fuel rods, while zirconia is used in jewellery.

Global zircon consumption in 2008 was estimated at 1.3 million tonnes, with China the largest single consumer followed by Western Europe, North America, Japan and other countries.

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The information in this report, insofar as it relates to Exploration Results and Mineral Resources, is based on information compiled by Mr David Jelley, of David Jelley Pty Ltd, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Jelley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr Jelley consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.